Wall Financial Corporation

1997 ANNUAL REPORT

Wall Financial Corporation was formed as a public company in 1969. The Company is focused on the development, acquisition and management of residential income producing properties, the development and sale of single and multi-family housing and the development and management of hotel properties. Over 95% of the Company's activities are concentrated in Greater Vancouver, one of the fastest growing areas in North America. The total Company portfolio as at May 31, 1997 contains 1,501 rental residential units and 764 hotel rooms. The Company also has a 100% interest in Wall Financial (Feeds Division) Ltd.

5 Year Comparison

Years ended January 31

	1997	1996	1995	1994	1993
Income Statement					
Revenue and other income	$ 73,317,059	$ 67,712,201	$ 52,865,460	$ 57,815,557	$ 41,136,742
Cost of sales and expenses	62,212,244	56,910,222	51,050,142	48,376,065	34,432,609
Earnings before income taxes	11,104,815	10,801,979	1,815,318	9,439,492	6,704,133
Net income	7,495,815	6,785,979	1,145,318	5,035,492	3,470,133
Earnings per share	$0.22	$0.20	$0.03	$0.15	$0.10
Earnings before depreciation, interest & income taxes	$ 26,450,062	26,005,772	13,868,696	15,894,206	14,139,150
per share	$0.79	$0.78	$0.43	$0.48	$0.43
Balance Sheet					
Total assets	$ 196,515,873	196,780,679	$ 203,820,634	$ 145,498,545	$115,762,963
Rental Properties	66,144,013	68,530,754	73,512,611	40,964,673	41,642,659
Hotel	93,879,719	72,703,398	72,523,983	0	0
Properties held for & under development	16,061,005	15,379,482	21,449,418	92,734,557	58,070,652
Fixed rate debt	89,617,672	82,180,600	94,666,586	29,600,976	34,033,165
Floating rate debt	60,821,164	52,612,756	60,032,190	66,713,777	45,267,870
Shareholder's Equity					
Book value	$ 27,613,206	$ 28,269,221	$ 21,483,242	$ 25,715,537	$ 20,680,045
Book value per share	$0.82	$0.85	$0.64	$0.78	$0.62
Common share market prices					
High	$3.50	$2.92	$3.85	$3.25	$2.40
Low	$2.17	$2.09	$2.05	$1.75	$1.57
Dividends paid	$8,502,830	$0	$5,781,924	$0	$0
Dividends per share	$0.25	$0	$0.17	$0	$0
Operations					
Number of rental units	1686	1,776	1,941	2,036	1,820
Number of hotel rooms	630	428	391	0	0

President's Report

Over the past year, the Company continued with the diversification of its asset base through the purchase of a 202 room hotel property, the sale of a rental apartment property and the acquisition of a condominium development site in downtown Vancouver.

The growth of our investments in the hospitality sector coincided with the growth of tourism and travel in British Columbia in particular and renewed investor interest in hotels throughout North America. Results from the operation of hotel properties were very encouraging in fiscal 1997 and we forecast significant growth for the forthcoming year.

The rental apartment portfolio performed well with low vacancy rates and no significant increases in operating costs. We are focused on maintaining low vacancy rates while increasing revenues wherever possible. An emphasis on maintenance and capital improvements ensures competitiveness and long-term asset value growth.

In late 1996, we commenced with the strata sale of the 216 unit Suites at Wall Centre. Sales are proceeding well with over 85% of the units sold as at May 31, 1997. As all sales completed subsequent to year end, there was a minimal impact on this year's financial results.

We continuously evaluate the condominium market and proceeded in 1996 with the acquisition of a condominium development site in downtown Vancouver near Stanley Park. Pre-sales of this 152 unit property currently exceed 60% and construction has commenced. In addition to this property, we are proceeding with development plans for Phase II of Wall Centre and the surplus land at the Skyline Hotel site in Richmond.

Our investment activity in bonds and securities generated significant gains this year.

FINANCIAL REPORT

Net income for fiscal 1997 is \$7,495,815 or \$0.22 cents per share. The gain on the sale of rental apartments was \$2,533,782 and investment income was \$6,288,735. Interest costs were down slightly reflecting lower interest rates and revenue increased due to increased hotel and feed sales. Bank indebtedness has increased reflecting recent acquisitions and the \$8,502,830 dividend paid in March, 1996.

We anticipate significant increase in revenue and earnings in the next year due to the growth of our hotel operations and the sale of the strata units at Wall Centre.

The Company will continue to focus on managing and growing its asset base over the next year.

Bruno Wall, President

May 31, 1997

Management Discussion and Analysis

Wall Financial Corporation is one of the largest B.C.-based publicly owned real estate companies. The Company was founded in the early 1960s and became a public company in 1969.

Over 95% of the Company's revenues are generated from assets which are situated in the Greater Vancouver area of British Columbia - one of the fastest growing and most stable residential real estate markets in North America. The Company's activities are concentrated as follows: development and management of residential rental units; development and construction of townhouses and condominiums for re-sale; development and management of hotel properties. The Company also owns and operates a feed mill and invests in marketable securities.

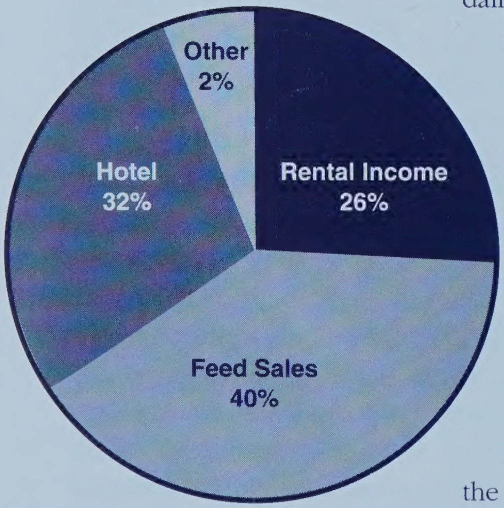
1997 OPERATING RESULTS

Revenue and other income increased 8.3% ($5,604,858) over last year, reflecting increased revenues from hotel operations, the feed mill and investments, and decreased revenues from rental apartments and the sale of condominiums and townhomes.

Rental revenues were down slightly, primarily due to the sale of Guildford Greene (90 units) in May of 1996 and the commencement of sales at the Suites at Wall Centre in September, 1996. Increases in rental rates of 2-3% were achieved in urban locations while rents remained stable in suburban areas. At all properties we experienced significant turnover as many tenants bought homes due to the historically low interest rates.

Operating expenses remain stable at all properties while we continue with capital improvements, especially in suburban locations. The Company's policy is to expense all costs relating to the maintenance and refurbishment of its properties.

Revenue from hotel operations, which only includes the Sheraton Wall Centre, increased by $5,432,832 or 38%. The occupancy rate was 70.3% with an average daily rate of $122.02 resulting in net operating income, before debt service and depreciation, of $7,597,754. Management forecast for 1998 for the Sheraton Wall Centre is an average daily rate of $150.00 at 76% occupancy. With the addition of the Landis Hotel and the Skyline, 1998 hotel revenues are projected at approximately $36,000,000.



Revenue Source

Sales from our feed operation improved significantly from $14,717,737 to $26,444,114 or 40% of total revenues. Margins on sales have improved slightly and the operation has been able to reduce its administrative costs as a percentage of sales. Increased sales volume is attributed to the quality of the product and reduced competition.

One rental apartment building of 90 units was sold resulting in a gain of $2,533,782. The sale price achieved substantiates management's estimate of the appraisal surplus. Subsequent to year end, the Company sold a 55 suite property in Surrey and commenced sales at the 216 unit Suites at Wall Centre. The sale of these properties will result in a substantial gain in 1998 and the proceeds will be utilized to pay down debt resulting from the acquisition of hotel properties.

Investment income increased significantly and consists primarily of interest earned on U.S. marketable securities and gains on foreign exchange. The expenses related to earning this income are offset and only the net gain is reported.

There was no revenue from the sale of condominiums and townhomes and the Company is not carrying any completed inventory of units for sale. A vacant industrial development property was sold for a gain of $409,994.

The cost of sales and operating expenses remained stable, dropping from 69% to 67% of revenue, while expenses for interest and administrative costs dropped from 22% to 20% of revenue and other income. With the addition of the hotel properties, management forecasts significant increases in interest and depreciation costs for 1998.

FIXED RATE DEBT

Mortgages on revenue producing properties consist of $80,117,672 of mortgages on rental apartments (a reduction of $2,062,928) and approximately $9,500,000 on hotel properties (nil in 1996). The schedule of fixed rate debt illustrates our current refinancing requirements over the next 14 years. With the sale of the Suites at Wall Centre, over $33,000,000 in mortgages will be repaid. The Company is actively pursuing options to prepay higher rated long term debt to take advantage of lower short term interest rates.

All fixed term debt obligations are in good standing and the security provided in respect of these debt obligations is typical of the industry.

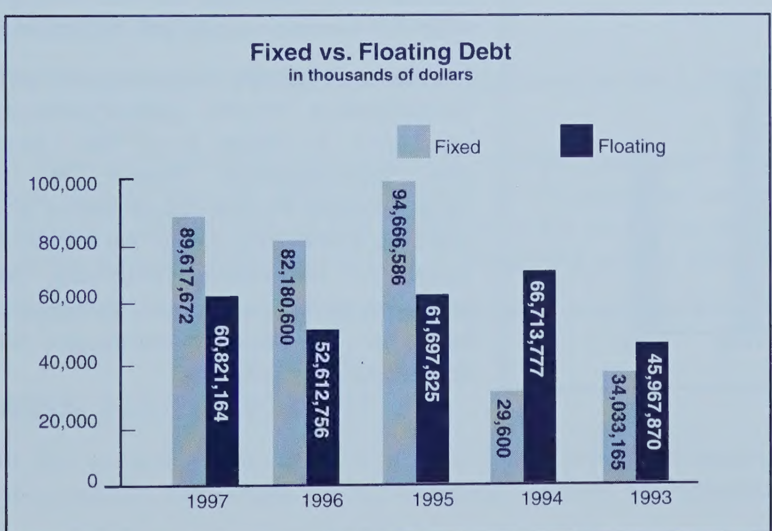
Schedule of Fixed Term Debt

DUE DATE	AMOUNT
1998	$ 15,578,629
1999	797,749
2000	38,869,539
2001	1,512,611
2002	595,988
2003	2,133,107
2004	643,075
2005	11,187,183
2006	447,520
2007	490,158
2008	536,868
2009	588,038
2010	16,237,207
2011	0
	$89,617,672

8.65% weighted average interest rate

FLOATING RATE DEBT

Wall Financial has secured bank credit facilities which total approximately $92,996,000, an increase of $10,589,889 from 1996. Of this, $60,821,164 was drawn as at January 31, 1997. Most of the Company's bank lines of credit have been in place for many years. The interest on floating rate debt is based on prime lending rates, Banker Acceptance rates and LIBOR Loans. Wall Financial manages this debt by fixing rates for periods of up to a year through interest rate swaps and staggering maturity dates on Banker Acceptance and LIBOR Loans. Floating rate debt increased in 1997 by $8,208,408 due to the dividend payment of $8,502,830 and the acquisition of additional hotel properties and development properties. The Company is in the midst of negotiations with its lenders to increase its credit facilities in order to repay long term debt.



All floating rate debt obligations are in good standing. Security for these debt obligations consists of a floating rate debenture and mortgages on rental properties and hotels.

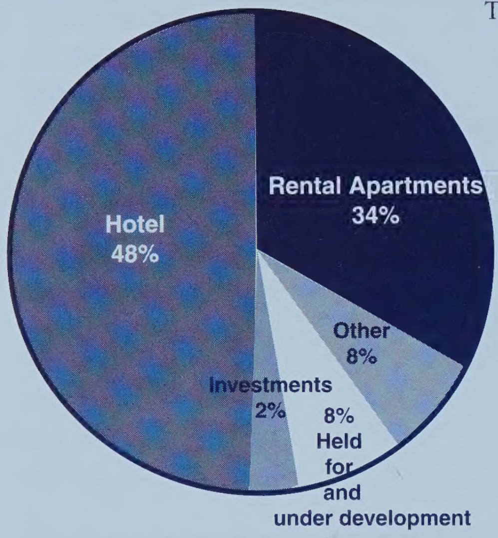
ASSET REVIEW

In the past year the Company increased its hotel assets, and decreased its rental apartment and investment assets.

REVENUE PROPERTIES

Rental

The inventory of rental apartments decreased from 1,776 to 1,686 reflecting the sale of a 90 unit apartment property in Surrey. At the end of 1998, inventory will be further reduced to 1,415 units as a result of the sale of a 55 unit property in Surrey and the 216 unit Suites at Wall Centre.



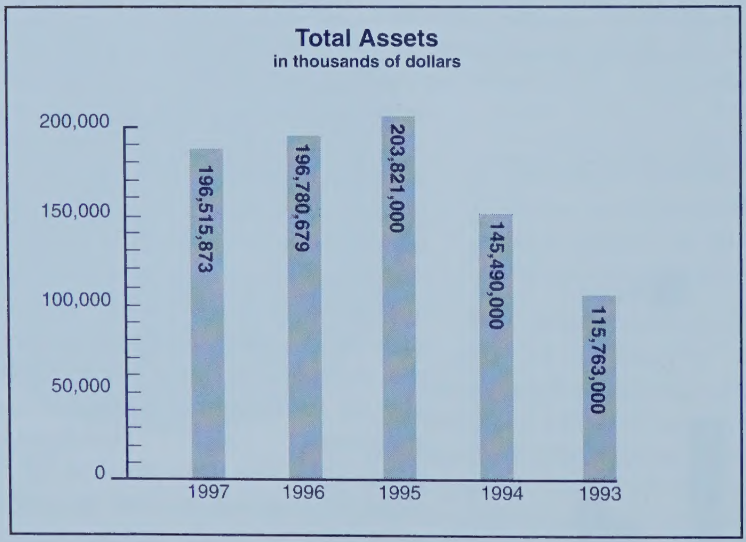
Asset Mix

Hotel

Inventory of hotel rooms increased with the purchase of the 202 room Landis Hotel in 1996 and the purchase, subsequent to year end, of the 134 room Skyline Hotel in Richmond. Demand for rooms remains strong through this year and into 1998 and we anticipate significant opportunities for increasing rate and occupancy at all three properties. The Company has committed approximately $3,000,000 for renovations at the Landis and Skyline Hotels.

LAND HELD FOR AND UNDER DEVELOPMENT

Inventory of land held for development remained stable as the Company did not commence the construction of Phase II of Wall Centre. Subsequent to year end, the Company purchased a condominium development site in downtown Vancouver where pre-sales and construction have commenced. Financing has been arranged whereby minimal equity will be required.



In February, 1997 the Company received a Development Permit, with "prior to" conditions, for Phase II of Wall Centre. The Development Permit is for approximately 300,000 square feet of hotel space in a 450 foot tower. We are in the midst of negotiating financing and assessing market conditions. We anticipate being in a position to commence with construction by fall, 1997.

Portfolio of Revenue Producing Properties

Residential Rental Properties	Date built or acquired	# of units	% of ownership
Amber Lodge, 1045 West 14th Avenue, Vancouver, B.C.	1972	50	100
Ambleside Tower, 1552 Esquimalt Avenue, West Vancouver, B.C.	1970	185	100
Beaconhill, 125 West Keith Road, North Vancouver, B.C.	1969	49 (98)	50
Elizabeth Manor*, 13265 - 104th Avenue, Surrey, B.C.	1985	55	100
Greenwood Gardens, 14831 - 104th Avenue, Surrey, B.C.	1972	183	100
Hampton Place, 13775 - 74th Avenue, Surrey, B.C.	1985	69	100
Maple Place, 10611 - 10675 150th Street, Surrey, B.C.	1973	250	100
Pacific Park, 9450 - 9480 128th Street, Surrey, B.C.	1974	288	100
Seafair, 3851 Francis Road, Richmond, B.C.	1969	78	100
Shannon Mews, 7131 Granville Street, Vancouver, B.C.	1976	161	100
Suites at Wall Centre**, 1050 Burrard Street, Vancouver, B.C.	1994	216	100
Vista del Mar***, 145 West Keith Road, North Vancouver, B.C.	1967	67 (119)	56
Yorkshire, 2336 York Avenue, Vancouver, B.C.	1970	35	100
		1,686	
Hotel Property			
Sheraton Wall Centre Hotel, 1088 Burrard Street, Vancouver, B.C.	**1994**	**428**	**100**
Landis Hotel, 1234 Hornby Street, Vancouver, B.C.	**1996**	**202**	**100**
Skyline Hotel†, 3031 No. 3 Road, Richmond, B.C.	**1997**	**134**	**100**
		764	

* sold as of May 31, 1997
** sold as of February 06, 1997
*** leased land; all other properties are freehold
† acquired on March 03, 1997

DIVIDENDS

The Company paid a dividend of $0.25 per share on March 15, 1996. The Company has a dividend policy in place as follows:

In respect of each fiscal year beginning with the fiscal year ending January 31, 1997, the Board of Directors shall declare and pay annual dividends in an aggregate amount representing approximately 25% of the Company's after tax net income in respect of the fiscal year then most recently ended. This Dividend Policy may be amended from time to time or repealed if, as and when determined by the Board of Directors.

A schedule of dividend payments over the past years is included in the Five Year Review.

RISK MANAGEMENT

In the normal course of its business, the Company is exposed to various risks which may affect its performance. These risks and the Company's actions are summarized below.

In its operation of residential revenue producing properties, the Company's primary risk is reduced revenue growth in the event of increased vacancy rates, the inability to increase rental rates due to oversupply, restrictive government legislation and the failure to maintain the properties at a competitive level.

The Company minimizes these risks by insisting on a high standard of maintenance and investing only in those locations highly desired by tenants. Vacancy rates in Greater Vancouver have remained at or below 2% over the past several years and management does not foresee a significant risk in this area. To keep the properties competitive, management will embark on major capital improvements at those properties where the greatest benefit in terms of increased rents may be achieved.

In its hotel operations, the Company is exposed to a variety of risks such as changes in market conditions, an increase in the supply of hotel rooms, currency rate fluctuations and changes in the labour market. These risks are managed by securing long term relationships with clients, developing and enhancing our relationships with international hotel chains and their reservation systems and ensuring that we have a strong and open relationship with our staff.

In the normal course of its business the Company invests in a variety of bonds, securities, interest rate swaps and foreign currency transactions. The Company manages the associated risk of these investments through interest rate arbitrage and, when necessary, by hedging foreign currency exposure.

The greatest risk in the Company's activities is in the acquisition and development of residential properties for resale. It is the Company's policy to acquire only land which is zoned for its intended use or where the required re-zoning is contemplated and encouraged by the governing authorities. Inventories of unsold units are kept at an absolute minimum and pre-sale programs are undertaken wherever feasible.

FINANCIAL RISK

The Company enjoys excellent relations with several major Canadian chartered banks and numerous fixed term lenders. With a solid base of income producing properties, the Company's credit facilities have been maintained and in some cases enhanced.

Over the next fiscal year, the Company's fiscal requirements consist of capital improvements to selected revenue-producing properties and re-financing term debt as it matures per the enclosed schedule. Capital improvements will be funded from cash flow and management does not anticipate any difficulties in re-financing term debt with existing lenders.

Construction of Phase II of Wall Centre will necessitate the placement of construction financing. While the market for hotel financing remains relatively thin, the company is confident that financing may be secured given the proven cash flow of the existing hotel and the rental apartments. Should financing not be available, construction will not commence.

It is management's objective to reduce floating rate interest costs through the use of Banker's Acceptance and LIBOR loans. LIBOR loans are issued only in U.S. dollars which exposes the Company to foreign exchange risk. In a circumstance where the Canadian dollar has dropped in value, the increased cost of the debt creates a potential liability for the Company which is recognized in the financial statements as a loss. Conversely, if the Canadian dollar increases in value, the gain is recognized as a profit.

OUTLOOK FOR OPERATION CONDITIONS

Wall Financial management remains optimistic that its portfolio of properties will continue to appreciate in value due to an increasing demand for housing and sound management. Revenue and income from our portfolio of rental apartment properties will remain stable with anticipated 2 to 3% increases in revenue. Capital improvements are required at some properties and will be undertaken this year. The hotel properties offer the greatest potential for returns and are well positioned in a growing market. The development and sale of residential units remains a viable market provided the product is well located and priced appropriately. Management is proceeding with the construction of a 152 unit condominium property in downtown Vancouver.

Auditors' Report to the Shareholders

We have audited the consolidated balance sheets of Wall Financial Corporation as at January 31, 1997 and 1996 and the consolidated statements of income and retained earnings and changes in financial position for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We have conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at January 31, 1997 and 1996 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a consistent basis.

Chartered Accountants

KPMG

Vancouver, Canada

April 25, 1997

Consolidated Balance Sheets

Years ended January 31, 1997 and 1996

	1997	1996
Assets		
Cash	$ 907,274	$ 626,976
Properties (note 2):		
Revenue producing properties:		
Rental	66,144,013	68,530,754
Hotel	93,879,719	72,703,389
	160,023,732	141,234,143
Held for and under development	16,061,005	15,379,482
	176,084,737	156,613,625
Investments (note 3)	4,739,755	27,053,592
Amounts receivable (note 4)	6,026,588	6,746,787
Other assets (note 5)	8,757,519	5,739,699
	$ 196,515,873	$ 196,780,679
Liabilities and Shareholders' Equity		
Bank Indebtedness (note 6)	$ 60,821,164	$ 52,612,756
Mortgages on revenue producing properties (note 6)	89,617,672	82,180,600
Accounts payable and accrued liabilities (note 7)	6,473,970	3,238,033
Investment account liability (note 3)	–	14,563,671
Taxes payable	422,711	2,631,248
Deferred income taxes	11,567,150	13,285,150
	168,902,667	168,511,458
Shareholders' equity:		
Share capital (note 8)	2,325,188	1,974,188
Retained earnings	25,288,018	26,295,033
	27,613,206	28,269,221
Subsequent events (note 9)		
Commitments and contingencies (note 10)		
	$ 196,515,873	$ 196,780,679

See accompanying notes to consolidated financial statements.

On behalf of the Board:

Director

Director

Consolidated Statements of Income and Retained Earnings

Years ended January 31, 1997 and 1996

	1997	1996
Revenue	$ 64,621,905	$ 55,365,265
Cost of sales and operating expenses	43,465,611	38,360,117
	21,156,294	17,005,148
Other income:		
Investment	6,228,735	2,989,475
Gain on sale of revenue producing properties	2,533,782	8,621,906
Gain (loss) on foreign currency translation	(67,363)	521,713
	8,695,154	12,133,094
	29,851,448	29,138,242
Expenses:		
General and administration	3,113,637	2,891,091
Interest (note 6(b))	11,646,075	11,832,599
Depreciation and amortization	3,699,172	3,371,194
Capital taxes	287,749	241,379
	18,746,633	18,336,263
Earnings before income taxes	11,104,815	10,801,979
Income taxes (note 11):		
Current	5,327,000	2,560,000
Deferred	(1,718,000)	1,456,000
	3,609,000	4,016,000
Net income	7,495,815	6,785,979
Retained earnings, beginning of year	26,295,033	19,509,054
Dividends	8,502,830	–
Retained earnings, end of year	$ 25,288,018	$ 26,295,033
Earnings per share	$ 0.22	$ 0.20

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Financial Position

Years ended January 31, 1997 and 1996

	1997	1996
Cash provided by (used in):		
Operations:		
Net earnings	$ 7,495,815	$ 6,785,979
Items not involving cash:		
Depreciation and amortization	3,699,172	3,371,194
Deferred income taxes	(1,718,000)	1,456,000
Gain on sale of revenue producing properties	(2,533,782)	(8,621,906)
Foreign exchange provision	67,363	(521,713)
Operating cash flow	7,010,568	2,469,554
Changes in non-cash operating accounts	(17,292,605)	3,031,898
	(10,282,037)	5,501,452
Financing:		
Mortgages on revenue producing properties	7,437,072	(12,485,986)
Dividends	(8,502,830)	–
	(1,065,758)	(12,485,986)
Investments:		
Net disposals of land held for development or resale	143,222	7,181,561
Additions to hotel properties	(23,691,777)	(2,430,872)
Additions to revenue producing properties	(2,887,313)	(551,487)
Properties under development	(824,744)	(432,913)
Investments	22,313,837	(217,897)
Payments received on share purchase plan	351,000	–
Proceeds on sale of revenue producing properties	6,853,115	13,230,394
Agreements receivable	1,589,247	(1,713,449)
Additions to fixed and other assets	(426,902)	(34,393)
	3,419,685	15,030,944
Increase (decrease) in cash	(7,928,110)	8,046,410
Cash and bank indebtedness, beginning of year	(51,985,780)	(60,032,190)
Cash and bank indebtedness, end of year	$ (59,913,890)	$ (51,985,780)
Operating cash flow per share	$ 0.07	$ 0.06

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Years ended January 31, 1997 and 1996

The Company is incorporated under the Company Act of British Columbia. Its principal business activities include hotel operations, real estate development, real estate investment and investments.

1. Significant accounting policies:

(a) General:

The Company's accounting policies and its standards of financial disclosure are in accordance with the recommendations of the Canadian Institute of Chartered Accountants and the Canadian Institute of Public Real Estate Companies.

(b) Consolidation:

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries.

(c) Properties:

(i) Revenue producing properties and hotel:

Revenue producing properties are stated at the lower of cost less depreciation or net recoverable amount. Depreciation is provided on a 5%, 40-year sinking fund basis.

(ii) Under development or held for resale:

The Company capitalizes acquisition and direct development costs for property held for resale or development and for revenue producing properties. In addition, the following are capitalized:

- Direct carrying costs, such as interest and property taxes, as well as incidental revenues and expenditures, to property held for resale or development.
- A portion of the interest on specific borrowings and a portion of the administrative overhead to properties held for resale or development until the development is complete; and
- Operating results of revenue producing properties until 80% occupancy is obtained.

Where the estimated net realizable value of a property held for resale or development does not exceed book value, interest and carrying costs are charged to current operations and are not capitalized.

(d) Investments:

Investments in which the Company is able to exercise significant influence are accounted for by the equity method and, accordingly, include the Company's share of undistributed earnings net of losses since acquisition. Portfolio investments are recorded at cost and dividends are included in income. Marketable securities are recorded at cost, which approximates market value.

1. Significant accounting policies (continued):

(e) Futures contracts and options:

The Company, in the normal course of business, trades in a variety of options, futures, and other investment contracts for the purpose of earning investment income. Any gains are recognized when realized and losses are recognized in income currently.

(f) Furniture, fixtures and equipment:

Furniture, fixtures and equipment are recorded at cost and depreciated using the declining-balance method at rates ranging from 20% to 50%, except for leasehold improvements, which are amortized using the straight-line method over 5 to 10 years.

(g) Revenue recognition:

Revenue from the sale of property held for resale or development and revenue producing properties is recognized when all material conditions of the sale have been fulfilled and a down payment appropriate in the circumstances has been received.

(h) Foreign currency translation:

All of the Company's foreign activities are fully integrated and are translated using the temporal method. Monetary assets and liabilities are translated at the year-end exchange rate, non-monetary items are translated at historical rates and revenue and expenses are translated at the average rate for the year. Gains or losses from exchange transactions are included in the statement of income or are capitalized during the construction period in the case of foreign currency denominated debt used to finance construction.

(i) Deferred financing costs:

Fees and costs relating to the negotiation of borrowings are deferred and amortized on straight-line basis over the term of the related debt.

(j) Measurement uncertainty:

Financial statements prepared in conformity with generally accepted accounting principles require management to make estimates and assumptions which can effect the reported balances. In determining estimates of net recoverable amounts and net realizable values for revenue producing properties, properties held for and under development, investments, amounts receivable and other assets, the Company relies on assumptions regarding applicable industry performance and prospects, as well as general business and economic conditions that prevail and are expected to prevail. Assumptions underlying asset valuations are limited by the availability of reliable comparable data and the uncertainty of predictions concerning future events.

By nature, asset valuations are subjective and do not necessarily result in precise determinations. Should the underlying assumptions change, the estimated net recoverable amounts and net realizable values may change by a material amount.

Years ended January 31, 1997 and 1996

2. Properties:

	1997	1996
Revenue producing:		
Rental:		
Land and building less accumulated depreciation of $9,467,140 (1996 - $8,928,705)	$ 66,144,013	$ 68,530,754
Hotels:		
Land and building less accumulated depreciation of $1,343,281 (1996 - $789,277)	88,381,583	66,337,931
Furniture, fixtures and equipment less accumulated depreciation of $4,329,485 (1996 - $2,368,042)	5,498,136	6,365,458
	93,879,719	72,703,389
	160,023,732	141,234,143
Under development:		
Housing units for resale	1,781,136	1,781,136
Land held for development	14,279,869	13,598,346
	16,061,005	15,379,482
	$ 176,084,737	$ 156,613,625

During the year, the following costs were capitalized to properties held for or under development.

	1997	1996
Property taxes	$ 219,000	$ 242,144

3. Investments:

	1997	1996
Marketable securities (market value 1997 - $4,632,000; 1996 - $26,907,000)	$ 4,513,615	$ 26,855,012
Investments accounted for by the equity method	226,140	198,580
	$ 4,739,755	$ 27,053,592

Included in marketable securities are U.S. $3,410,395 (1996 - $12,457,642) of investments which secure a margin account of U.S. $ Nil (1996 - $10,592,532).

4. Amounts receivable:

	1997	1996
Accounts	$ 5,401,588	$ 4,532,540
Agreements	625,000	2,214,247
	$ 6,026,588	$ 6,746,787

5. Other assets:

	1997	1996
Fixed assets, less accumulated depreciation of $1,838,555 (1996 - $1,624,195)	$ 1,333,924	$ 1,136,026
Deferred financing costs	747,840	1,036,309
Deposits and prepaids	5,982,996	2,937,014
Inventory	692,759	630,350
	$ 8,757,519	$ 5,739,699

Included in deposits and prepaids is U.S. $610,500 held by the bank as security for interest rate swap transactions (note 10(a)).

6. Debt on properties:

	1997	1996
Bank indebtedness:		
Revenue producing	$ 56,265,590	$ 47,123,100
Feeds	1,856,421	2,067,308
General	2,699,153	3,422,348
	60,821,164	52,612,756
Mortgages on revenue producing properties	89,617,672	82,180,600
	$ 150,438,836	$ 134,793,356

(a) Bank indebtedness:

Bank indebtedness bears interest at varying rates and is secured by fixed and floating demand debentures and a second mortgage and assignment of rents on various revenue producing properties. The outstanding amount includes a balance of $ Nil U.S. (1996 - $19,000,000 U.S.).

Bank indebtedness has been made available under lines of credit at January 31, 1997 which amounted to $92,996,000 (1996 - $82,406,111).

(b) Mortgages on revenue producing properties:

Mortgages on revenue producing properties bear interest at a weighted average rate of 8.65% (1996 - 8.01%). Principal instalments payable within the next five years are:

1998	$ 15,578,629
1999	797,749
2000	38,869,539
2001	1,512,611
2002	595,988
Thereafter	32,263,156
	$ 89,617,672

	1997	1996
Interest on:		
Bank indebtedness	$ 5,054,893	$ 3,532,665
Mortgages on revenue producing properties	6,591,182	8,299,934
	$ 11,646,075	$ 11,832,599

7. Accounts payable and accrued liabilities:

	1997	1996
Trade accounts payable and accrued liabilities	$ 4,423,970	$ 3,238,033
Note payable (note 12(b))	2,050,000	—
	$ 6,473,970	$ 3,238,033

8. Share capital:

Authorized:
54,000,000 common shares without par value

	1997		1996	
	Shares	$	Shares	$
Issued and outstanding:				
Opening balance	33,995,720	$ 3,238,088	33,995,720	$ 3,238,088
Less shares acquired during the year	—	—	—	—
	33,995,720	3,238,088	33,995,720	3,238,088
Less amounts receivable under share purchase plan	510,000	912,900	660,000	1,263,900
	33,485,720	$ 2,325,188	33,335,720	$ 1,974,188

During the year ended January 31, 1992 the Company instituted a plan to enable certain employees to purchase shares in the Company at varying prices as determined by the Compensation Committee. Non-interest bearing loans are provided to these employees and are not repayable for ten years, except in the case of termination or death of the employee. The amounts receivable under the share purchase plan were reduced in fiscal 1997 by the payment of $82,500 representing 50% of the dividends paid on the 660,000 common shares in the plan and subsequently, by the payment in full by an employee of $268,500 in respect of 150,000 shares leaving a balance of 510,000 shares receivable.

The number of shares issued and outstanding excludes 119,900 (1996 - 119,900) shares held by the Company.

9. Subsequent events:

i) On March 14, 1997, the Company acquired a land parcel for $5,800,000. As at January 31, 1997, the Company has recorded a deposit paid of $920,000 and has capitalized other development costs of $1,020,000 relating to the project.

ii) On March 3, 1997, the Company acquired a hotel property for $11,300,000. As at January 31, 1997, the Company has recorded a deposit paid of $2,040,000.

iii) Subsequent to year end, the Company sold approximately 70% of the stratified units in one of its rental properties. The Company received net proceeds, after commissions and related expenses, of $34,900,000 resulting in a gain of approximately $7,200,000.

iv) The Company has entered into an agreement to sell a rental property for approximately $2,985,000 for an expected gain of $1,685,000. The agreement is scheduled to close on May 31, 1997.

10. Commitments and contingencies:

(a) Swap contract:

At the year end, the Company was obligated under an interest rate swap contract in respect of a referenced bond in the amount of $5,000,000 U.S. The referenced bond is due and the swap contracted is terminated on October 1, 1999. Under the terms of the swap contract, the Company is entitled to either receive or pay the net amount of the cash flows arising from a referenced bond less interest at a floating rate based on the market value of the bond at the time of initiating the contract. Should the Company terminate the contract, the Company would be required to compensate the financial institution for any decline in value of the referenced bond since the inception of the contract and a termination fee. At January 31, 1997, the contingent liability for terminating the contract amounted to $493,418.

(b) On October 3, 1996 the Company entered into a 20 year hotel franchise and reservation agreement with an affiliate of ITT Sheraton Corporation. Franchise and reservation fees are calculated based on monthly gross hotel revenues and paid monthly. Each party has the option to terminate the agreement subsequent to October 3, 2001.

11. Income taxes:

	1997	1996
Provision for income taxes based on combined basic Canadian federal and provincial income tax rate of 45.6% (1996 - 45%)	$ 5,064,000	$ 4,861,000
Increase (decrease) resulting from:		
Tax benefit of prior year losses	(1,267,000)	—
Rate difference on foreign source income	(271,000)	—
Large corporations tax	280,000	323,000
Non-taxable portion of capital gains	(318,600)	(1,080,000)
Other	121,600	(88,000)
	$ 3,609,000	$ 4,016,000

12. Related party transactions:

a) In the normal course of its feed mill operations, the Company sells feed to operations which are owned by members of the families of certain directors, officers and significant shareholders. In all cases, these sales are on the same terms as arrangements with unrelated parties. The total of sales transactions during the year was $5,697,163 (1996 - $5,113,247). Included in agreements receivable are amounts due totalling $842,982 (1996 - $965,868) in respect of these sales transactions.

b) During the year, the Company received $2,050,000 in exchange for a promissory note from an immediate family member of a company director and significant shareholder. This note bears interest at prime and is renewed on a monthly basis.

c) During the year, the Company earned $88,000 (1996 - $81,000) in commission revenue and $154,000 (1996 - $175,000) in bookkeeping revenue from companies controlled by directors, officers and a significant shareholder.

13. Acquisition:

Effective December 19, 1996 the Company acquired 100% of the outstanding common and preferred shares of 361537 BC Ltd., which owns and operates the Landis Hotel, Vancouver. The transaction has been accounted for by the purchase method with the results of operations included in these financial statements from the date of acquisition. Details of the acquisition are as follows:

Net assets acquired, at assigned values:		
Non-cash current assets	$	47,679
Hotel property and equipment		22,666,131
Other long-term assets		12,494
		22,726,304
Less: Long-term debt		1,392,510
	$	21,333,794
Consideration given:		
Cash	$	11,833,794
Vendor loan		9,500,000
	$	21,333,794

14. Financial instruments:

The Company has the following financial instruments: agreements receivable, accounts receivable, marketable securities, debt on properties, and accounts payable and accrued liabilities. The carrying values of accounts receivable and payable and accrued liabilities approximate their fair values due to the short-term nature of these financial assets and liabilities. The market value of the marketable securities is disclosed in note 3. Other financial instruments of a longer term nature are impacted by changes in market yields which can result in differences between their carrying value and their market value. Management estimates that these differences are not material to the financial statements.

15. Comparative information:

Certain comparative figures have been reclassified to conform with the current year's presentation.

Years ended January 31, 1997 and 1996

16. Segmented information:

	1997	1996
Revenue:		
Revenue producing properties	$ 37,540,519	$ 32,759,120
Feeds	26,444,114	14,717,737
Sale of real estate (housing units)	—	7,305,316
Other	1,071,580	1,705,094
	65,056,213	56,487,267
Elimination of intersegment transactions	(434,308)	(1,122,002)
	$ 64,621,905	$ 55,365,265
Income before tax:		
Revenue producing properties	$ 6,470,259	$ 1,851,715
Feeds	714,390	(7,355)
Sale of real estate (housing units)	—	526,067
Other	1,386,384	(190,354)
Gain on sale of revenue producing properties	2,533,782	8,621,906
	$ 11,104,815	$ 10,801,979
Identifiable assets:		
Revenue producing properties	$ 159,402,965	$ 143,975,343
Feeds	5,932,253	4,732,057
Sale of real estate (housing units)	2,831,191	2,861,170
Other	29,816,619	46,793,992
	197,983,028	193,362,562
Elimination of intersegment balances	(1,467,155)	(1,581,883)
	$ 196,515,873	$ 196,780,679
Depreciation and amortization expense:		
Revenue producing properties	$ 3,486,097	$ 3,162,325
Feeds	195,411	131,949
Other	17,664	76,920
	$ 3,699,172	$ 3,371,194

Corporate Information

Directors

Clare Baldwin
Susan Dosot
Robert Lee
John Redekop
Robert Scragg
Peter Ufford
Bruno Wall
Charlotte Wall
Jacob Wall
Peter Wall

Officers

PETER WALL
Chair of the Board

BRUNO WALL
President

SUSAN DOSOT
Vice-President
Asset Management
and Secretary

JOHN REDEKOP
Vice-President, Valley Division

Stock Exchange

Wall Financial is listed on both the Vancouver and Toronto Stock Exchanges. Its symbol is WFC and the CUSIP number number is 931902.

Total shares issued and outstanding: 33,485,720

Total number of shareholders: 289

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